

FDIC State Profile

Spring 2006

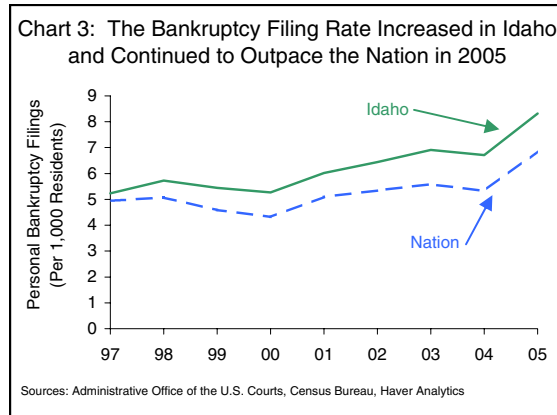
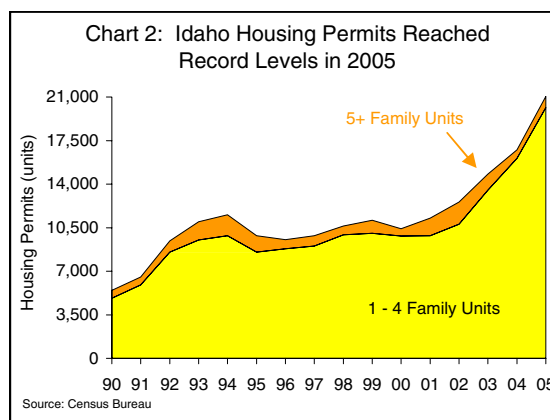
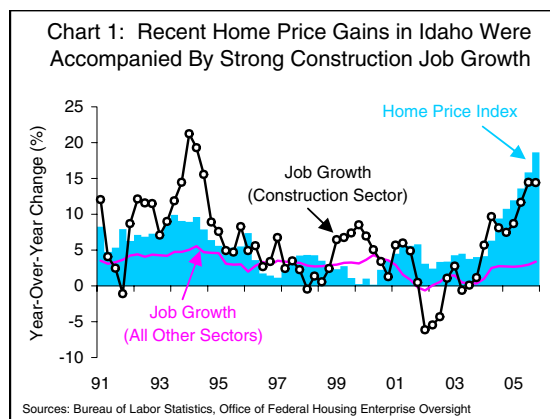
Idaho

Idaho remained one of the nation's fastest growing states.

- Idaho's job growth rate accelerated from year-ago levels to 4.9 percent in fourth quarter 2005; the state ranked third among the states and far exceeded the national rate.
- Elevated home price growth contributed to strong employment gains in the state's construction sector, which reported a 14 percent growth rate during the year ending fourth quarter 2005 (see Chart 1). Job gains in other sectors, led by the business services, leisure, and retail trade sectors, were comparatively flat.
- Hiring was widespread across the state's metropolitan areas. Notably, job growth rates in **Idaho Falls** and **Boise** ranked third and tenth, respectively, among the nation's 367 metropolitan areas.
- Forecasts indicate that job gains may ease somewhat in 2006.¹
- Although commodity prices and weather conditions were favorable during 2005, rising energy costs and interest rates could pressure the state's agriculture sector.

Housing market conditions remained solid.

- Idaho reported a record level of housing permits issued in 2005 (see Chart 2). Year-over-year home price gains in the state accelerated to 18.6 percent in fourth quarter 2005 and continued to outpace the nation. The state will likely continue to report construction employment gains in 2006.
- Nevertheless, deteriorating house price affordability, particularly in **Coeur d'Alene**, and rising interest rates may weigh on the state's housing market going forward.
- Innovative mortgages and investors may be influencing housing demand.² Interest-only and negative amortization loans accounted for 45 percent of non-prime mortgage originations in Idaho during the first 11 months of 2005.



¹Forecast data from Moody's Economy.com.

²Based on subprime and Alt-A private mortgage securitizations tracked by LoanPerformance. Alt-A loans include mortgages that have near-prime credit quality, lack full loan documentation, or are secured by investor properties.

State Profile

During the same period, investors and second-home purchasers accounted for 37 percent of Idaho Alt-A mortgage originations.

Idaho consumers face increasing pressure.

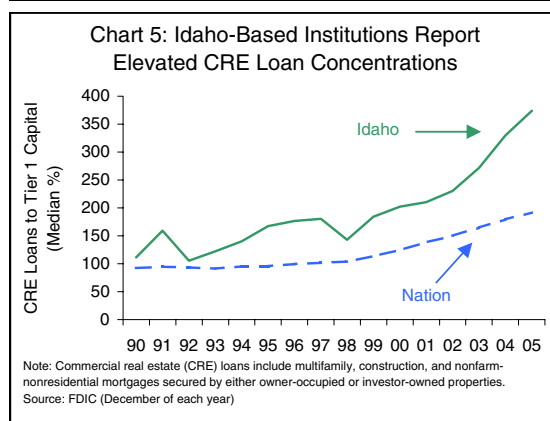
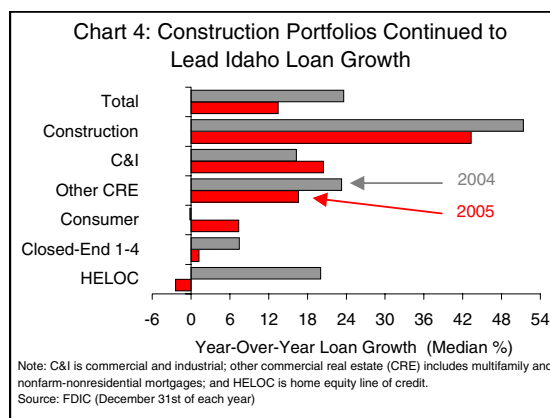
- Rising energy costs will continue to burden household pocketbooks as nearly 85 percent of homes in the state are heated using natural gas or electricity. Higher prices will likely persist as the price of both natural gas and electricity for residential use is forecast to increase slightly in 2006.³
- Rising interest rates and higher minimum payments on credit card balances could pressure some consumers.
- Personal bankruptcy filings in Idaho increased in 2005, rising to 8.3 filings per thousand residents and continued to outpace the nation (see Chart 3). Similar to nationwide trends, filings increased in advance of new bankruptcy legislation that took effect in October 2005.
- Forecasts indicate that the state's filing rate may decline in 2006 but then drift upward in 2007.⁴

Although commercial real estate (CRE) loan growth slowed, concentrations remained high.

- Overall loan growth moderated during 2005, but at 13.5 percent, Idaho's loan growth rate still ranked ninth nationally. Construction and development (C&D) portfolio increases continued to lead other loan categories (see Chart 4). Statewide, C&D loans increased to 118 percent of Tier 1 capital by the end of 2005, the fifth highest median concentration nationally.
- Other CRE loan categories also increased, pushing the state's median CRE loan⁵-to-Tier 1 capital ratio to 374 percent, well above nationwide levels (see Chart 5).
- Robust economic growth bolstered Boise CRE conditions. The area's office and industrial markets reported strong absorption of existing space and some increases in rental rates through year-end 2005.
- Fourth quarter past-due CRE loan levels among Idaho-based institutions edged up to 0.33 percent of total CRE loans, from 0.23 percent in late 2004. Although increasing, delinquent CRE levels remained below the nationwide median of 0.46 percent.

Rising interest rates boosted quarterly net interest margins (NIMs) but tempered investment portfolio values.

- Idaho-based insured institutions continued to report excellent quarterly earnings. The median fourth quarter pretax return on asset ratio of 1.75 percent ranked eighth nationally.
- Higher NIMs more than offset increases in overhead expense burdens, which rose in part because of branching activity among institutions.
- Rising interest rates reduced the opportunity to take securities gains in 2005 and created net unrealized portfolio losses among most institutions at year-end 2005. In contrast, portfolios contained modest gains on net in late 2004 and boosted fourth quarter 2004 earnings at 36 percent of banks.
- Overall past-due loan levels improved year-over-year to 0.65 percent, despite mild increases in CRE and commercial and industrial loan delinquencies.



³Forecast data from the Energy Information Administration's 2006 Annual Energy Outlook.

⁴Forecast filing rate calculated using Moody's Economy.com forecast data for bankruptcy filings and population.

⁵Commercial real estate loans include construction, multifamily, and nonfarm-nonresidential mortgages.

Idaho at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	4.9%	4.2%	3.5%	2.8%	0.7%
Manufacturing (10%)	2.6%	2.1%	1.7%	-0.4%	-4.6%
Other (non-manufacturing) Goods-Producing (8%)	14.0%	12.4%	9.4%	8.5%	0.3%
Private Service-Producing (63%)	5.3%	4.7%	3.8%	3.2%	1.6%
Government (19%)	1.2%	0.2%	1.3%	1.1%	0.8%
Unemployment Rate (% of labor force)	3.5	3.7	4.3	4.7	5.3

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	7.3%	9.2%	7.9%	2.5%
Single-Family Home Permits	12.3%	34.7%	15.3%	15.5%	23.3%
Multifamily Building Permits	-25.9%	22.2%	-18.1%	0.4%	-4.1%
Existing Home Sales	N/A	12.3%	-1.3%	15.9%	7.4%
Home Price Index	18.6%	15.8%	10.8%	7.7%	4.1%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	10.33	8.72	6.26	6.72	6.91

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	18	17	17	17	18
Total Assets (in millions)	6,476	6,339	5,462	5,462	4,728
New Institutions (# < 3 years)	1	0	0	0	1
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.65	0.68	0.77	0.77	1.04
ALLL/Total Loans (median %)	1.32	1.28	1.25	1.25	1.36
ALLL/Noncurrent Loans (median multiple)	9.57	6.61	3.76	3.76	3.49
Net Loan Losses / Total Loans (median %)	0.05	0.01	0.05	0.08	0.11

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	9.37	8.72	9.06	9.06	8.42
Return on Assets (median %)	1.16	1.36	1.16	0.99	0.98
Pretax Return on Assets (median %)	1.75	2.03	1.66	1.51	1.53
Net Interest Margin (median %)	5.34	5.34	5.00	4.69	4.65
Yield on Earning Assets (median %)	7.29	6.92	6.26	5.96	6.23
Cost of Funding Earning Assets (median %)	2.04	1.90	1.56	1.59	1.56
Provisions to Avg. Assets (median %)	0.18	0.21	0.17	0.20	0.26
Noninterest Income to Avg. Assets (median %)	0.90	1.08	0.99	0.95	1.25
Overhead to Avg. Assets (median %)	3.82	3.70	3.64	3.52	4.01

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	73.4	72.0	71.8	71.8	71.7
Noncore Funding to Assets (median %)	21.4	19.0	21.4	21.4	18.1
Long-term Assets to Assets (median %, call filers)	10.1	9.4	13.4	13.4	19.3
Brokered Deposits (number of institutions)	8	8	8	8	7
Brokered Deposits to Assets (median % for those above)	2.5	3.7	3.2	3.2	3.6

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	137.7	158.5	154.4	154.4	163.1
Commercial Real Estate	373.9	385.6	329.7	329.7	271.9
Construction & Development	117.5	128.6	114.0	114.0	75.2
Multifamily Residential Real Estate	3.6	3.7	3.8	3.8	1.7
Nonresidential Real Estate	191.3	191.4	196.0	196.0	197.8
Residential Real Estate	88.0	110.2	119.8	119.8	129.9
Consumer	40.2	38.7	48.5	48.5	52.2
Agriculture	48.0	60.1	50.1	50.1	53.4

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Boise City-Nampa, ID	21	6,171	< \$250 million	8 (44.4%)
Coeur d'Alene, ID	14	1,472	\$250 million to \$1 billion	10 (55.6%)
Idaho Falls, ID	11	1,008	\$1 billion to \$10 billion	0 (0%)
Lewiston, ID-WA	9	714	> \$10 billion	0 (0%)
Pocatello, ID	12	574		